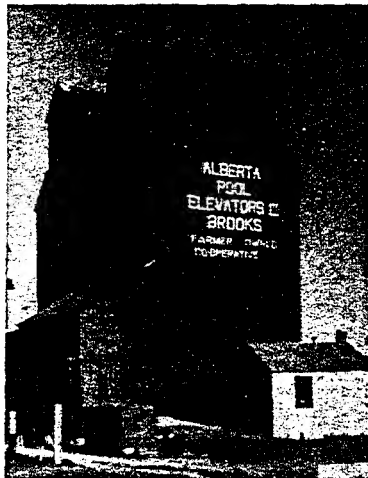


THE STORY OF THE ALBERTA WHEAT POOL

"Farmer Owned Co-operative"



One of 488

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EARLY EXPLOITATION AND ITS CHECK

The history of Western Canada as an extensive wheat producing area dates back only to the beginning of the present century. With the completion of the Canadian Pacific Railway across Canada in 1885, vast stretches of fertile prairie land were opened for settlement. In 1896 the federal government set aside nearly 60 million acres of free homestead land and adopted a vigorous program of immigration. Settlers flocked into this "the last best west", for nowhere else in the world was there left such a large territory suitable for cereal production. Land was cheap and easily broken, and settlement proceeded at a rapid pace. Between the years 1896 and 1913 one million people moved into the three prairie provinces of Manitoba, Saskatchewan and Alberta. The occupied farm area rose from 10 million acres in 1896 to nearly 58 million in 1911. Only 13 million acres of land were sown to wheat, oats, barley, rye and flax in 1910, but by 1921 the seeded acreage had reached 37 million. Since then it has not increased greatly, standing at nearly 41 million acres in 1950.

In Alberta the total acreage seeded to grains in 1910 amounted to less than 2 million, but by 1921 it was almost 9 million. In 1950 Alberta's seeded acreage totalled 12,600,300.

The rapid expansion of grain acreage near the close of the last century made necessary the building of a comprehensive elevator system in order that the grain might be handled and transported expeditiously. As a consequence the Canadian Pacific Railway offered monopoly rights to elevator companies in return for the building of country elevators along its lines. Private capital saw an outlet for its funds with the possibility of extensive profit from the construction of the required facilities. Farmers soon found that they were unable to deliver their grain into railway cars and were restricted to the use of company elevators. As is usual in the case of monopolies, many abuses arose. A torrent of complaints came from farmers of underweighing, undergrading, underpricing and other malpractices. In some instances it was found that elevator agents were given annual bonuses on the basis of the overage of grain in their elevators.

The men who undertook to provide grain handling and selling facilities for the farmers of Western Canada were well on their way towards building fortunes when the farmers decided to take a hand in the business for themselves. While a few had amassed considerable profit from the grain business of the west, the development of co-operative grain marketing on the prairies effectively prevented the establishment of an oligarchy of great wealth and power gained from the handling of the grain produced in this country.

The farm families who settled the west were, for the most part, energetic, self-reliant and intolerant of economic subjection. They were determined to break down the monopoly gained by the grain trade, to build up competitive facilities under their own direction and control, and to obtain substantial measures of government protection through regulative acts of parliament.

Some 17 investigations into various departments of the grain trade in Canada have been heard by royal commissions. Mr. Justice W. F. A.

Turgeon, chairman of the Royal Grain Inquiry Commission which reported in 1925, referring to the previous commissions, said:

"All of these investigations were prompted by complaints emanating from producers of grain, and they all resulted in the bringing about of at least some beneficial changes in the conditions complained of."

The first royal commission was appointed in 1899 to investigate charges against the grain trade. The report of the commission held that the farmers' protests were justifiable. The result was the passing of the Manitoba Grain Act of 1900, which gave farmers certain rights and a degree of protection. This act was later superseded by the Canada Grain Act, which stands on the federal statute books as a monument to the efforts of the pioneer farmers to gain greater economic freedom. This act is recognized as the Magna Carta of Western Canada because it provides a multiplicity of safeguards for the grower in the marketing and selling of his grain.

While the original Manitoba Grain Act gave the farmers certain rights, they soon found it almost impossible to enforce the rulings of the legislation. Consequently they turned to organizing their own co-operative elevator organizations. It is hardly within the scope of this pamphlet to recapitulate the long struggle of co-operatively-minded grain producers in Western Canada against the determined efforts of capitalistic grain companies to dominate the grain handling and selling business. It can be said without fear of contradiction that these efforts resulted in a broad measure of emancipation for the farmers, and the rectifying of many wrongs under which pioneer grain producers suffered. Every effort should be made to keep green in the hearts and minds of prairie farmers the memory of those pioneer apostles of co-operation.

SPECULATIVE GRAIN MARKETING

Up until World War I grain produced in Western Canada was marketed under the speculative system, centering on the Winnipeg Grain Exchange. The speculative system provides a market for the sale of cash grain and also provides for futures trading. This system is favored by elevator companies, flour mills and traders because it allows them to hedge their purchases and thus gives them protection from financial losses while grain is in their possession. It is not favored by the grain producers, however, their main complaint being its uncertainty and insecurity. Over the years it has been able to give no price protection whatsoever.

The speculative system is built on scarcity. In order to bring good prices, the volume of grain offered for sale must be limited. When world crops are good and there is plenty of wheat to feed the hungry people, prices descend to levels unremunerative to the wheat producer. The system is characterized by a wide variation of prices, not only from year to year, from month to month, from day to day, but actually from minute to minute. This has been one of the main complaints against the system. Instead, farmers prefer a degree of stability which will bring them the same price no matter what time of the year they sell their grain.

The successful operation of the speculative system depends upon the presence of a substantial number of gamblers, comprising ordinary people, who for the most part know little about the system or market conditions but have been lured into the market in the fond hope of making fortunes for themselves. The majority of these speculators lose money. Their losses, however, do not go to the producer as increased prices, but to other large scale speculators.

Records over nine years of 400,000 trades in the grain market handled by a Chicago brokerage house showed that its 8,782 customers had a net loss of \$10 million. To illustrate the inconsistency of the market, even the majority of grain merchants who were in close touch with market conditions lost money. It is not logical that the price the farmers receive for their product should in any way be dependent upon the whims and fancies of these gamblers. With the absence of these speculators, however, this system of grain marketing breaks down.

In the early "thirties" when there were insufficient speculators to take the hedges of elevator companies, the prices of grain declined to disastrous levels. On December 16, 1932, the average Alberta street prices were: 1 Northern wheat $19\frac{1}{2}c$, 3 C.W. barley $11c$, 2 C.W. oats $8c$, 2 C.W. rye $11\frac{1}{2}c$ and 1 C.W. flax $46c$ a bushel.

A. J. McPhail, in giving evidence before the Stamp Commission in 1931, said:

"The organized farmers of Western Canada have felt for many years, and feel at least as strongly today as at any time in the past, that the present system of futures trading does not work out in their best interests. They feel that the price they receive for their wheat from day to day is largely influenced by the attitude and mind of the uninformed speculating public and that such a method of determining or influencing the price level is too insecure and unstable a foundation on which to build any industry. A steady or much more steady price level than now obtains would be of inestimable value to the producers if some means could be found to bring about the desired results."

The violent fluctuation in the price of rye on the Winnipeg Grain Exchange in the spring of 1948 provides an outstanding example of the inconsistency of the speculative grain market. At that time rye was the only grain over which no government controls were exercised. From August 1947, at which time the average price of 2 C.W. rye, terminal basis Fort William was \$3.03 a bushel, the price gradually rose until it hit a peak of \$4.83 a bushel on May 21, 1948. On Saturday, May 29, 1948, the market closed at \$4.69, but by the time trading ceased on Monday, May 31st, it had dropped to $\$3.38\frac{3}{4}$ a bushel, from which level it continued to decline until by July 31st it was only \$1.60 a bushel. When the new rye crop was in a position to be sold that fall the price was around \$1.50 a bushel.

A system in which such violent fluctuations are possible certainly gives grain producers no security. It has never had the confidence of the prairie grain producer.

BEGINNING OF THE POOL MOVEMENT

The speculative system of grain marketing broke down during World War I and marketing of grain was placed in the hands of the

Board of Grain Supervisors, organized by the federal government on June 11, 1917. This body was succeeded by Canada's first national Wheat Board, organized in July, 1919. The majority of farmers were well pleased with the operations of this board which provided for an initial payment on the delivery of the grain, an interim payment during the year, and a final payment when the grain was sold. The farmers were not exposed to the anxiety of picking the proper time to sell their grain as the price paid was the same to all, grade and distance from the terminals being taken into consideration.

The Wheat Board of 1919, on the insistence of the grain trade, was discontinued on August 16, 1920, and the speculative marketing system was again given an opportunity to demonstrate its value to the farmers of Western Canada. Wheat prices hit a high of \$2.85 a bushel early in September, 1920, just when wheat started to pour on to the market. Then a steady decline set in, until by December, 1923, wheat had been carried to the low of 93¼c. In 1923 the average farm price in Alberta was 65c a bushel compared to an average farm price of \$2.31 in 1919. The result was disastrous for the grain producers of the west, and a calamity to business in general.

When the Wheat Board was discontinued a large number of wheat producers started to agitate for the re-organization of the board, but the legal advisers of the federal government gave their opinion that the creation of such a board was beyond the peacetime power of the federal government. The government, however, did pass a law providing for a national wheat marketing agency which would go into effect, providing the provinces enacted legislation to endow the board with the requisite powers to make its operation effective. This enabling legislation was passed by the governments of Alberta and Saskatchewan in 1922. Manitoba's legislature rejected the proposal, and the plan fell through.

A voluntary pool was then proposed and Alberta led the way. The United Farmers of Alberta, which was then at the peak of its power, threw its massive strength behind the effort; and in the early part of August, 1923, a committee representing the U.F.A., the unorganized farmer, the press, the provincial government, the banks and other business interests, proceeded with the preliminary work of organizing the Alberta Wheat Pool. On August 20, 1923, a drive for membership started. The objective was 50 per cent of the 1922 acreage under wheat. Contract signers obligated themselves to deliver all the wheat they produced to the Pool. When the Alberta Wheat Pool opened its offices on October 29th of that year the objective had been surpassed.

In 1924 both Saskatchewan and Manitoba organized provincial Pools. The same year the three Pools joined together to form the Central Selling Agency.

The Wheat Pool system was actually the outcome of four convergent movements: 1, cumulative experience in co-operative grain marketing acquired by prairie farmers during earlier years; 2, the persistent desire of wheat producers for the restoration of a centralized selling system which would give them a degree of price stability; 3, the disastrous decline of world prices between 1920 and 1924; and 4, the post-

war developments by other nations of the contract pool method of marketing farm commodities.

WHEAT POOLING

The three Wheat Pools of Manitoba, Saskatchewan and Alberta enjoyed an excellent measure of success for a number of years. In increasing numbers grain producers joined the ranks of these co-operative organizations.

The principle objective of the Wheat Pool movement was to institute a program of orderly marketing of grain under co-operative control and administration. The Wheat Pools undertook, through the regulation of the flow of wheat to world markets in accordance with the demands of those markets, to bring about a more stabilized condition with a reasonable price throughout the year, in place of a fluctuating market with high prices at one time and low prices at another.

The Wheat Pools stood for a policy of direct contact between producers and consumers to avoid what is considered by many to be useless, needless, unproductive expense in the huge scale speculation operations.

Another Wheat Pool idea was to unite the farmers in large organizations, giving them greater bargaining strength, somewhat similar to that obtained by labor through trade unions.

The Pool method of payment provided for an advance to the farmer of a conservative initial payment per bushel at the time his wheat was delivered, with a subsequent interim payment during the crop year as the grain was sold, and a final clean-up payment after the crop year ended and the season's operations were completed. This method of payment spread the farmers' income over the year and proved satisfactory to the majority of Pool members.

From 1923-24 to 1929-30 the Pools handled over a billion bushels of grain and distributed net proceeds to Pool members totalling \$1,299,938,404.98. Each Pool built up an extensive system of country and terminal elevators at the insistent demands of the membership. One of the principles laid down for the operation of these elevators was that a proportion of the excess earnings should be used for the payment of patronage dividends. Up to the end of 1928 some \$6 million was paid in patronage dividends, with Alberta Pool Elevators paying \$1 $\frac{3}{4}$ million.

In October 1929, the New York stock market experienced a major break in prices heralding the great depression which caused a drastic decline in the prices of commodities, stocks, bonds and values of all kinds, and a terrific disruption in the economic life of the whole world. Although little dreamed of at that time wheat was soon to reach its lowest price in 400 years.

The Wheat Pools fought against the continued lowering of wheat values, contending that price was of paramount importance to the farmers in Western Canada and that some effort should be made to protect them. This stand was generally ridiculed by the grain trade whose contention was that the law of supply and demand should not be interfered with by individuals, groups or governments. The Wheat

Pools made an effort to stabilize the price of wheat but the continual wearing away of wheat values created such an ominous situation that the federal government was compelled to step in with a wheat price stabilization policy.

The stabilization operations of the Pools cost some \$22,324,000 in overpayments on deliveries from members in the 1929-30 crop. The provincial governments guaranteed this amount to the banks, the proportions among the provinces being: Alberta \$5,649,000, Saskatchewan \$13,300,000, Manitoba \$3,375,000. Each provincial government issued bonds to the banks covering the deficiency of its own provincial Pool. In return the Pools issued bonds to the provincial governments.

The Wheat Pools discontinued compulsory pooling operations in 1931 and undertook to repay their debts through earnings from their elevator systems. Payment of patronage dividends was discontinued and the full energies of the Pools were directed toward the paying of this debt. In 1947, as a result of the loyal support and faithful patronage of grain producers, the Alberta Wheat Pool's debt to the province of Alberta was completely repaid. In the 1938-39 crop year the payment of patronage dividends was resumed. The organization is now in an excellent financial position.

The experience of the Wheat Pools taught the lesson that only the federal government has the power and the finances to operate a wheat marketing organization extensively engaged in world trade. This led to agitation for the organization of a federal wheat board.

FEDERAL GOVERNMENT STABILIZATION

When in 1930 the Wheat Pools were unable to carry the burden of price stabilization any longer, the federal government stepped in and an arrangement was made with the Pools and banks to place the 1930 pooled wheat, together with the carryover from 1929, in the hands of a re-organized Central Selling Agency, under the management of John I. McFarland.

Mr. McFarland's term of office ended in November, 1935, and its record is told in the pamphlet, "The Story of Stabilization," written by him at the end of his term. Summed up, his conclusion was that the open market system had collapsed and, in order to permit the grain exchange to function and the farmers to sell their wheat, the Central Selling Agency, acting for the government, was forced to take the "hedges". Governmental action was undertaken in all important wheat exporting and importing countries in an effort to save domestic producers from the effects of disastrously low prices. This disorganized world trade and resulted in the piling up of enormous carryovers.

Mr. McFarland's operations resulted in much higher prices for Canadian wheat than those obtained by growers in Argentina and Australia.

A great deal of apprehension was felt in certain parts of Canada over the possibility of heavy financial loss to the federal treasury from Mr. McFarland's price stabilization operations. In the end, the whole undertaking showed a profit of \$9,628,881.31. Mr. McFarland gave his services to the Canadian nation without financial compensation.

For five years he carried a tremendous responsibility, as a result of which he suffered a health breakdown. He died in 1943.

The Wheat Pools, while giving Mr. McFarland the friendliest co-operation in his stabilization efforts, contended that a national Wheat Board was the proper solution for the problem insofar as Canada was concerned. Such an institution, it was maintained, would function more efficiently and with less danger of monetary loss than any effort at keeping alive the open market speculative system. Arguments to this effect were presented to the government from time to time, and finally in July, 1935, the Canadian Wheat Board was formed.

CANADIAN WHEAT BOARD

The experience of the Wheat Pools during the period of very low wheat prices led to the conclusion that a Wheat Board, backed by the federal government, was a necessity in order to give the farmers of this country a degree of price stability and protection. With the breakdown of pooling operations grain producers were left to sell their grain on the open market, which was completely demoralized, and the prices they received were far below the cost of production.

At the same time the governments of many other world nations provided guaranteed prices for their producers. The United States devised a system of parity prices which provided a relationship between the prices of farm products and the things that farmers were required to buy. The bonusing of domestic production by maintaining artificially high prices was adopted by most nations of Europe. In 1936 alone bonuses to wheat producers in Germany, France and Italy cost in the neighborhood of \$800 million.

The Wheat Pools and the organized farm groups of Western Canada brought pressure to bear upon the federal government, urging the closing of the grain exchange and the setting up of a national marketing board which would have complete control of the prairie wheat crop. They wanted something more reliable than a system which depended upon speculation and which took no account of the price paid to producers. The grain trade opposed the idea, maintaining that the preservation of a great open grain market such as the Winnipeg Grain Exchange was of importance not only to farmers but to all of Canada. With world trade continuing at a persistently low level, however, and with prices to producers in exporting countries being pitifully low, the Canadian government on July 5, 1935, passed an act which provided for the setting up of the Canadian Wheat Board.

The Board, through its power to set minimum prices, to receive government financing, and to transfer any deficit to the federal treasury, was to act as a buffer between chaotic conditions in the international wheat market and the farmers on the land in Western Canada.

The legislation which established the Canadian Wheat Board gave it the right to market all wheat, but these powers were not put into effect until 1943. Instead the Board was set up as a marketing organization authorized to purchase wheat from farmers on a voluntary basis at a fixed price and to issue participation certificates which entitled producers delivering to the Board to a share in any surplus realized from the disposal of such grain. While this was a partial victory for

the organized farmers, as it assured them of a floor price and relieved them to some extent of their dependence on the speculative market, it was not entirely satisfactory since the open market was still allowed to operate. With the two systems in operation it turned out that in general the Board received deliveries only when its price was above that of the open market. It was impossible for the Board's operations to be financially sound. It was not until 1940, when the war made world market conditions uncertain, that a surplus was realized by the Board and the first participation payments were made.

Ever since its organization the Wheat Board has been of substantial value to the farmers in the prairie provinces, but it was during the war years that its value became most apparent. Starting in 1940 Canadian wheat stocks began to accumulate as a result of the war in Europe eliminating that area as an export market. At one time the Canadian carryover exceeded 600 million bushels (July 31, 1943). To take care of excess accumulations Canada's elevator system was expanded by the erection of temporary storage to a total capacity of approximately 600 million bushels. Under the direction of the Canadian government the Wheat Board was able to establish a quota system of marketing which gave producers a fair share of available storage space. Farmers were given an initial payment at the time of delivery as well as a participation certificate. Total payments paid to farmers on participation certificates issued on deliveries from the 1940-44 crops inclusive, were over \$162 million. If the speculative system of grain marketing had been in operation, wheat prices would have declined to beggarly levels, and the subsequent rise in value would have gone to speculators and not to the farmers.

In the autumn of 1943, with congestion at its peak, the federal government ordered the futures market closed and all wheat supplies were turned over to the Canadian Wheat Board. Since then the Board has handled all commercial deliveries of wheat in the prairie provinces. The powers of the Board to act as the sole marketing agent for wheat have been extended to July 31, 1953.

Until 1945 each year's wheat crop was handled in a separate pool, but beginning with the 1945-46 crop all wheat deliveries were bulked in a five-year pool which concluded on July 31, 1950. The latter step was taken because of the signing of the United Kingdom-Canada wheat agreement.

Other duties of the Wheat Board have included acting as the sole marketing agency for flax for the 1942 to 1946 crops inclusive. In 1947-48 and 1948-49 the Board was empowered to handle flax at a minimum price, and in 1949-50, a voluntary flax pool was maintained.

Beginning with the 1948-49 crop the Wheat Board, on the demands of grain producers, became the sole marketing agency for oats and barley. This power has since been extended to cover the 1950-51 crop.

On the whole the farmers have been satisfied with the operations of the Canadian Wheat Board and want to see it continued. The Wheat Board system of paying the same price, grade and freight charges being considered, to every farmer who delivers grain, appeals greatly to the prairie wheat producers. The absence of speculation

prevents sensational rises and disastrous declines in prices. There have been no heavy losses from speculation in wheat futures, as was usually the case over the years under the open market system.

CANADA-UNITED KINGDOM WHEAT AGREEMENT

During the war years Canadian farmers increased their food production to the limit. When peace came there was a fear that a slump in the prices of farm products would occur. History shows that sooner or later after every major war a serious setback has developed in the prices of farm products. From September, 1920, to December, 1923, for instance, Canadian wheat prices dropped from \$2.85 to 93 $\frac{3}{4}$ c a bushel. In order that such a trend might be prevented farm organizations, including the Wheat Pools, approached the government and asked for a measure of price security for farmers in the years following the end of World War II.

In the summer of 1946 the Canadian government announced the signing of a wheat agreement with Great Britain which involved the sale of 600 million bushels of wheat over a four-year period. For each of the first two years 160 million bushels of wheat were to be sold to Great Britain at a price of \$1.55 per bushel, basis 1 Northern at Fort William. For the next two years annual sales were to be 140 million bushels, and the price was to be negotiated between the two governments. In determining the price for these two years Britain agreed "to have regard to" any difference in prices paid under the agreement during the first two years and world wheat prices during that time. In addition the United Kingdom was to pay carrying charges which ranged from 3 $\frac{1}{2}$ c to 6c a bushel.

Ben S. Plumer, chairman of the board of directors of the Alberta Wheat Pool, publicly stated that a fixed price for wheat was satisfactory providing control was exercised over the prices of goods and services farmers had to purchase. Later Rt. Hon. J. G. Gardiner, minister of agriculture, said that the government found it impossible to control such prices in Canada.

When the price was negotiated for the last two years, Britain would agree to pay no more than \$2 a bushel. The Wheat Pools and other farm organizations protested, contending that this price did not "have regard to" the low prices at which Britain received wheat during the first two years of the agreement when prices elsewhere in the world were much higher, at times reaching over \$3 a bushel. The farm organizations maintain that when the federal government sets the final payment on all wheat delivered into the five-year pool, which included the 1945 to 1949 crops, a substantial sum should be added to the funds already in the hands of the Wheat Board, either by way of a further settlement from Britain or a grant from the federal treasury. Said Ben S. Plumer in the fall of 1950, "If the British cannot pay, then the federal government should assume some responsibility."

Furthermore, the farmers believe that they have another legitimate claim on the federal treasury. During the period March 1, 1945 to February 17, 1947, some 160 million bushels of wheat were sold for domestic consumption at a price approximately 30 cents a bushel below

that which the British paid. This amounts to \$48 million, which the Pools and other farm organizations believe should be contributed by the government towards the final payment.

The agreement has been the subject of considerable controversy, having been widely criticized by the grain trade and proponents of the speculative grain market. There have, however, been a number of distinct advantages ensuing from the agreement.

In the first place Canada had a secure market for 600 million bushels of wheat in Great Britain, which is the largest wheat importing nation in the world. Canada gained a substantial amount of goodwill. This was demonstrated when British government officials, in conjunction with representatives from the Canadian government, persuaded the United States to permit the use of Marshall Plan funds by Great Britain for the purchase of Canadian wheat. Had the farm people of this country insisted on the British paying peak prices for wheat that country would not have been interested in using Marshall Plan funds to purchase wheat in Canada, particularly when free supplies were available in the United States. Canada might have been left with a substantial wheat surplus.

Furthermore, Rt. Honorable C. D. Howe, Canada's minister of trade and commerce, has stated that the British have agreed to get their North American wheat requirements in the future from Canada insofar as Canada is able to supply same.

Had Canadian farmers insisted on extracting the highest possible price from Great Britain, they would certainly have no sound grounds for asking government support should price declines occur in the years ahead. At the present the leaders of each of the main political parties in Canada have given assurance that such supports will be forthcoming if the need arises.

The agreement provided the basis for a stable wheat price, not nearly as high as that prevailing in the United States where the government supported wheat prices and gave away 80 per cent of her exports, but higher than that obtained by the farmers of any other important wheat exporting nation.

The agreement and the closing of the grain exchange prevented a series of wild speculative splurges, which are always alternated with collapses. With the assurance of a steady price, farm people have been able to go ahead with their production plans without the worry of when to sell their grain or without fear of the bottom falling out of the market.

Note: The announcement has been made, as this pamphlet goes to press that the Canadian government will contribute \$65,000,000 towards the final payment on the 1945-49 pool conducted by the Canadian Wheat Board. This will give the Board \$120,000,000, to distribute, or 8.3 cents a bushel, on the 1,435,955,510 bushels of wheat delivered in the five year period. With this final distribution the total per bushel payment will be \$1.83 $\frac{3}{10}$, basis 1 Northern at Fort William or Vancouver.

INTERNATIONAL WHEAT AGREEMENT

The world-wide depression was at its worst in 1932, the price of wheat being the lowest in 400 years. The average farm price for wheat in Alberta was only 32c a bushel. Wheat importing nations were bonussing production at tremendous costs and in exporting nations surpluses were piling up and prices were far below the cost of production. In 1933 representatives of some 22 nations gathered to discuss the problems of wheat surpluses and wheat prices. Wheat is a basic product and it was believed that if its price could be stabilized economic recovery would be under way. An agreement was drawn up which allocated quotas to wheat exporting nations. Wheat importing nations agreed to cut production, encourage greater consumption and gradually lower tariffs and other impediments against wheat imports. In 1934 Argentina produced a large wheat crop, but lacking storage facilities, that nation exceeded its export quota and the agreement was abandoned.

Continuing world surpluses and low prices for wheat encouraged further efforts towards the organization of an International Wheat Agreement. A large wheat crop in 1938 threatened to bring complete chaos to the world market. The intervention of the war necessarily brought a halt to further efforts towards the world wheat agreement, but the central organization was maintained and negotiations were continued after the war ended.

Early in 1948 an agreement was drawn up among representatives of 36 nations meeting in Washington, D.C. Before the agreement could become effective it had to be ratified by each participating nation. The United States failed to ratify it and because that country was one of the main promoters as well as one of the world's largest wheat exporters, the whole scheme fell through.

Negotiations were resumed in the spring of 1949 at another conference in Washington, and an agreement was reached between 5 exporting nations and 35 importing nations. The pact originally provided for the delivery of a basic quantity of 456 million bushels of wheat each year, to be sold within a price range of \$1.80 maximum and \$1.20 minimum a bushel. Uruguay failed to ratify the agreement, thus reducing the exporting nations to four. Several importing nations came in later, and at the present time the only important importing countries not included in the agreement are China, Chile and Japan, and Japan has applied for admission.

For the year 1950-51 the basic quantity called for is 544,246,000 bushels which is divided among the exporting nations as follows:

	Bushels
Canada	221,443,000
United States	231,739,000
Australia	87,109,000
France	3,955,000
	<hr/>
	544,246,000

The price range is set as follows:

	Maximum	Minimum
	Price	Price
1949-50	\$1.80	\$1.50
1950-51	1.80	1.40
1951-52	1.80	1.30
1952-53	1.80	1.20

Prices are in terms of American funds based on 1 Northern wheat at Fort William. With the value of the Canadian dollar below that of the United States dollar, Canadian farmers are receiving somewhat more than these prices for wheat sold under the agreement.

The agreement allows considerable leeway to each nation, permitting it to conduct the selling of its grain through government operations or through the regular grain trade. Unless prices reach the maximum or minimum during a crop year there is no obligation upon exporters to sell wheat or importers to buy it. If prices reach the minimum, however, importers are required to buy their full quotas, providing exporting nations request them to do so. If, on the other hand, prices reach the maximum, exporting nations must offer to sell the full amount of their quota at the maximum price.

During the first year of the agreement virtually all the wheat moved at the maximum price. Although all importing nations did not take their full quotas, the first year's operations were generally considered satisfactory. Exporting nations could have insisted on importing countries taking their full quotas had they been willing to lower their prices. Sales of Canadian wheat were 21 million bushels below the quota, but the reason therefor was claimed to be not the lack of customers but rather the tie-up of railway and shipping facilities on Canada's west coast.

From the very beginning of the Wheat Pool movement in Western Canada farmers have sought the establishment of an International Wheat Agreement which would provide an outlet for a guaranteed quantity of wheat from year to year, thus protecting both producer and consumer against violent price fluctuations. While this pact does not entirely solve the problem of stable prices and markets for wheat, it is a powerful aid to orderly trade in wheat.

ALBERTA POOL ELEVATORS

Originally the provincial Pools possessed no elevators and were dependent upon contracts with elevator companies for the receipt, storage and forwarding of grain delivered by Pool members. Each Pool soon found it necessary, however, to build a system of elevators of its own. The reason therefor was that Pool members wanted such elevator systems established on the true co-operative basis of service rather than profit. This is just the reverse of the capitalists' interests. The owners of private elevators are not concerned with rendering service but solely in making profits. The prime interest of a co-operative is to render service for its own sake. Any excess earnings or savings made

by a co-operative agency belong, of course, to its members who are the owners.

The first Alberta Wheat Pool elevators were built in 1925. At the present time the Alberta Wheat Pool owns 488 country elevators, 449 country annexes, a 5 million bushel terminal at Vancouver and a 2 million bushel terminal at Port Arthur. The total capacity of the Alberta Pool Elevator system is over 37½ million bushels. In addition the organization owns 374 dwellings and other equipment necessary for the operation of an efficient elevator system.

Since its beginning in 1923 the Alberta Wheat Pool has marketed over one billion bushels of grain with a gross value of over a billion dollars.

Alberta Pool Elevators inaugurated the paying of patronage dividends as a permanent policy in this province. To meet competition the line elevator companies have been forced to follow suit. On August 24, 1942, the North-West Line Elevator Association wrote to the federal minister of finance pointing out that "Several line elevator companies have been obliged to meet competition of the Pools by making payments in the nature of patronage dividends".

Over the years the Alberta Wheat Pool has paid patronage dividends to the value of \$9.6 million.

From its very beginning the Pool elevator system has set the standard of grain handling service in this province, and, as a result has gained the confidence of a large percentage of Alberta's grain producers. Farm people must not forget, however, that if the Alberta Wheat Pool is to continue to provide leadership it must be maintained in a strong, vigorous and healthy condition. This can best be done by giving wholehearted support to Pool elevators.

DEMOCRATIC SET-UP OF THE WHEAT POOL

To insure the carrying out of co-operative practices and ideals, the founders of the Alberta Wheat Pool decided upon a democratic form of control which would provide the greatest possible contact between the producers and the management.

For the purpose of representation the province is divided into seven districts, lettered A to G inclusive. Each of these districts is divided into ten sub-districts, numbered from 1 to 10 inclusive. This makes 70 Alberta Wheat Pool sub-districts which have been so arranged that there is, as nearly as possible, the same number of elevators in each, the same percentage of reserves held in each, and about the same patronage to Pool elevators. Thus all the agricultural areas of the province are given equal representation in the direction of Pool affairs.

In each of these sub-districts the members elect a delegate for a two year term. To qualify, the delegate must be a member of the Alberta Wheat Pool, a resident of the sub-district, and directly interested in growing grain. The delegates meet annually in Calgary and lay down all the policies for the Pool. They are the legislative body.

The annual meetings of the Alberta Wheat Pool are just the opposite to the annual meetings of the average corporation, which are mostly cut and dried affairs with little information given out. The Wheat Pool, however, is a farmer-owned and farmer-controlled co-operative and delegates are given the fullest information on all operations and activities of the organization. No important Pool policies are implemented without the delegates first studying them fully and then giving their approval. For this reason the operations of Alberta Pool Elevators always remain in the best interests of the farmer on the land. If occasion arises, the delegates are called in for special sessions to pass on urgent matters of policy. It is the duty of the elected delegates to report to the members on work done and stands taken on questions dealt with at the convention. This is usually done through country meetings, but in recent years some delegates have been using the radio with considerable success.

The ten delegates in each of the Wheat Pool districts elect a director so that there are seven directors on the Alberta Wheat Pool board. The directors, who must also be farmers, are likewise elected for a two year term. The board of directors is the cabinet of the Wheat Pool, and meets regularly to implement the policies laid down by the delegates.

The Alberta Wheat Pool follows the practice of giving full publicity to all of its members. It has no business secrets, and any information regarding its operations is available to members through their local delegates. No other grain handling organization can claim such openness in its business affairs. The Alberta Wheat Pool delegates are convinced that the strength of the organization rests mainly on the degree of confidence of the grain producers in the Pool. They believe that such confidence can be achieved through wider dissemination of information regarding the objectives and operations of the organization. This policy of full publicity has met with the approval of thousands of grain producers.

OWNERSHIP OF THE ALBERTA WHEAT POOL

While operating as separate entities, the Alberta Wheat Pool and Alberta Pool Elevators are actually one and the same organization. Ownership rests with the membership, now totaling over 50,000, on the basis of the amount of reserves held by each individual.

It should be clearly understood that during the years pooling was in operation, deductions were taken from the returns to each member. The deductions were: 2c on each bushel of wheat delivered for elevator reserves; and 1 per cent of the total value of wheat delivered for commercial reserves to provide working capital.

Deductions amounted to \$6,033,655.39 for elevator reserves and \$2,434,175.32 for commercial reserves, giving a total of \$8,467,830.71. Reserves were credited to the members in proportion to the extent of the deductions so that the ownership rested with the member patrons.

The original policy provided for the taking of deductions from members' returns year after year, and the return of these deductions

in cash after a number of years. This is known as the "revolving door" policy. When financial difficulties were encountered as a result of the 1929 overpayment, the plan was abandoned and earnings of the Alberta Wheat Pool were diverted to the repayment of the debt created by the 1929 overpayment. During the period from 1929 until 1940 no reserves were credited to members.

In 1942 provision was made for the purchase of reserves built up during the 1923-28 period. By the end of the 1950-51 crop year nearly \$5,900,000, or 70 per cent, of the original reserves will have been purchased, all at 100 cents on the dollar.

Under the present policy only the original commercial and elevator reserves are being purchased. New reserves received as patronage dividends since 1940 are not eligible for purchase at the present time. In laying down this policy the delegates held that reserves built up by members in providing capital to assist in the formation of the Pool should be redeemed before any reserves credited to members as patronage dividends were redeemed. For the first few years reserves were purchased on a rateable basis, that is a percentage from all holders of commercial and elevator reserves. In the past few years, however, purchases have been from estates of members, from members no longer engaged in farming, and from the older members.

A plan has been devised whereby the reserves so purchased are distributed as part of the patronage dividends. Since 1940 reserves to the value of \$4,900,000 have been distributed to member patrons on this basis. This method of distributing reserves keeps control of the organization in the hands of active members. Today members can build a growing equity in this great co-operative organization merely by patronizing Alberta Pool Elevators. These reserves are valuable property. Not only do they represent the ownership of the organization, but members can expect them to be turned into cash at a later date.

THE WHEAT POOLS' CONTRIBUTION

Grain producers should realize that in Canada today there is no force working as hard, as conscientiously and as effectively on their behalf as the Wheat Pools. Since their inception these farmer-owned co-operatives have continually sought to improve grain handling methods, lower marketing costs and to provide producers with a degree of protection. Over the years the Wheat Pools have made a real contribution to Western Canadian agriculture.

Many grain producers may have forgotten conditions as they existed when these co-operative organizations were in their infancy. One test of a co-operative comes after abuses have been corrected and new standards of service set. A good memory usually distinguishes a good co-operator. Younger farmers should study the history of the Wheat Pools so that they may realize what has been accomplished on their behalf.

Among the improvements brought about largely through the demands of the Wheat Pools, were certain changes in the Canada Grain

Act. One of these resulted in changing the set-up of the Board of Grain Commissioners, giving it greater powers and providing closer contact with producers. This gave the producers an assurance of greater protection from unfair practices. Another change in this act which the Wheat Pools recommended was the raising of standards on export shipments of wheat. Since 1930, when the changes went into effect, there have been few serious objections raised about the quality of Canadian export wheat, and the confidence of importing nations in Canadian wheat has been restored. Prior to that complaints had been numerous.

The Saskatchewan Royal Grain Inquiry Commission, headed by Mr. Justice J. T. Brown, in its report published in 1929, stated:

"In our opinion two of the greatest reforms that have ever been brought about in the interests of the producer of grain in Western Canada are the recent amendments to the Canada Grain Act and the application of the new standard for cargoes of spring wheat going overseas. It is impossible to estimate the benefits which these two reforms alone will mean to the producer. We think it can fairly be said that such reforms as these neither would nor could have been achieved apart from that wave of public opinion which swept the prairie provinces in 1926, and at the centre of which was the Pool."

In earlier years one of the most irritating matters as far as the grain producer was concerned was the weighing of his grain. A widespread feeling of distrust and dissatisfaction prevailed among the growers as to the methods employed by elevator agents. The impossibility of obtaining accurate information on the alleged overages created in local elevators caused a feeling of suspicion. While there was undoubtedly some exaggeration as to the extent of this nefarious practice, inquiries by various royal commissions did substantiate the claims of farmers that under-weighing had existed. Now under the Canada Grain Act the Board of Grain Commissioners has the power to confiscate overages and to cancel the licenses of country elevator agents who have extensive overages. This discourages the practice of under-weighing.

Each agent of the Alberta Wheat Pool is given definite instructions to weigh each load fairly and honestly and to balance the scales instead of taking "the break of the beam." He is informed that he will be held just as much to blame if there is an overage as if a shortage occurs. The record of each Pool elevator is available to delegates at the annual meeting, so that every patron, if he so chooses, can get to know the result of the weighing operations at his point.

The Alberta Wheat Pool, together with the Pool organizations of Saskatchewan and Manitoba, has been consistent in its efforts to keep grain handling charges at a minimum. As a result, grain handling charges in the prairie provinces are the lowest in the world. Grain producers can be sure that without the influence of the Wheat Pools, prevailing charges would be much higher.

In early days there was a wide spread between the price which farmers received for wagonlots and carlots of grain. The Wheat

Pools led the way in the narrowing of this spread, so that today the price paid for grain, whether sold in small or large quantities, is virtually the same.

Alberta Pool Elevators also exercised an important influence on behalf of the growers in effecting the following reforms:

1. The narrowing of spreads on street wheat.
2. The fixing of a definite shrinkage allowed terminal elevators for drying grain, based on the actual moisture conditions of the grain.
3. The narrowing of the spread against tough and damp grain.
4. The establishment of a Vancouver freight basis in the payment to the farmer for his wheat shipped west.
5. The settlement with the producer for mixed grain on the basis of separations where such are possible.

The set-up and method of operation of Pool elevators provides an important force working continually in the interests of the producers of grain.

"It (the Pool) has been, and will be a great force in bringing about remedial legislation in the interests of the producer, not only in connection with the Canada Grain Act, but in other legislation as well," commented the report of the Saskatchewan Grain Inquiry Commission, 1928.

ASSISTANCE TO FARM YOUTH

The Alberta Wheat Pool takes considerable interest in farm youth movements, not only for the purpose of encouraging better farming methods and the production of high quality products, but also for developing leadership and fostering the spirit of co-operation among the farm boys and girls in the province.

Since 1930 the Alberta Wheat Pool has been co-sponsor along with the provincial and federal departments of agriculture in the Junior Wheat Club movement, which has been outstandingly successful in improving the quality of wheat produced in Alberta. In these Junior Wheat Clubs a number of world wheat champions have been developed.

The Wheat Pool is also a joint sponsor of the Junior Forage Crop Clubs and the Girls' Garden Clubs. Both of these projects have interested a large number of farm boys and girls and have proven successful. In 1950 the Pool gave assistance to 66 Junior Wheat Clubs, 50 Girls' Garden Clubs, and 14 Forage Crop Clubs.

To encourage greater use of Alberta's educational facilities and to broaden the outlook of Alberta's farm young people, the Alberta Wheat Pool sponsors the attendance of 35 farm young people at the Farm Young People's Conference held at the University of Alberta each spring. The Wheat Pool pays transportation expenses as well as a portion of sustenance while at the University. This annual event has aroused great interest throughout the province. Last year the Alberta Wheat Pool also sponsored six promising farm young people at a spec-

ial leadership course at Banff conducted by the University's department of extension.

In a number of other ways the Alberta Wheat Pool has maintained close contact with the farm youth of the province in the hope of improving the position of agriculture and laying the foundation for the future development of the co-operative movement.

WHY SUPPORT POOL ELEVATORS

1. Because Pool elevators give efficient service and protection to all.

2. Because Pool elevators are operated at cost, and excess earnings are returned to Pool members who patronize their elevators.

3. Because the producer's self-protection is incomplete and ineffective if private organizations can still exploit him.

4. Because Pool elevators are the property of over 50,000 Alberta farmers who have invested \$8,467,830 in this great co-operative elevator system. Pool farmers can safeguard this investment by delivering all their grain to Pool elevators. A heavy volume of deliveries means low cost of operation.

5. Because Pool elevators have been mainly responsible in bringing down Western Canada's costs of handling grain, which are now the lowest in the world.

6. Because it is of vital importance that a strong co-operative elevator system should flourish in Alberta. It is essential that such an elevator system should be under the control of Alberta grain producers—men who are actually following the occupation of farming.

Alberta Pool Elevators is the only organization in Alberta which meets these requirements.

HOW TO JOIN THE WHEAT POOL

A grain producer can become a member of the Alberta Wheat Pool by delivering 500 bushels of grain to an Alberta Pool elevator and by purchasing Alberta Pool reserves to the value of \$5.00.

A patron of Pool elevators must be a member before he can qualify to receive patronage dividends. Each year quite a number wait until the patronage dividends are announced before applying for membership. The best time to join is when grain is being delivered.

While patronage dividends are important and a well-known co-operative feature, there is more to belonging to a co-operative organization than direct financial advantage. The Alberta Wheat Pool has been of incalculable value to Alberta agriculture. Grain producers should show their approval and their appreciation by becoming Pool members.

Since 1940 over 27,000 grain producers have joined the Alberta Wheat Pool.

THE FINANCIAL STORY

As a result of the 1929 overpayment the Alberta Wheat Pool found itself indebted to the sum of \$5,649,000. The Alberta government

issued bonds to the banks to clear off this liability and in turn took Alberta Wheat Pool bonds. Pooling operations were discontinued and earnings of the organization were diverted toward the retirement of this debt. With the loyal support of Alberta grain producers the Alberta Wheat Pool was able to meet the annual payments of principal and interest promptly. From October 1, 1932, until May 31, 1947, at which date the debt was paid off in full, the Alberta Wheat Pool made total payments to the Alberta government as follows:

Principal	\$5,649,000
Interest	3,206,629
Total	<u>\$8,855,629</u>

Interest on Reserves

The original policy of the Alberta Wheat Pool was to pay interest on reserves and to return excess earnings to members in the form of patronage dividends.

Interest on reserves was paid to the total of \$631,253 up to the end of the 1928-29 crop year.

In order to repay the debt created by the 1929 overpayment the policy of paying interest on reserves was dropped. The paying of patronage dividends was also discontinued until the 1938-39 crop year.

Patronage Dividends

The Alberta Wheat Pool has paid patronage dividends in cash and reserves over the years to the value of \$9,631,439 as follows:

	Cash \$	Reserves \$
1926-27	327,196	.....
1927-28	960,262	.....
1928-29	488,570	.....
1938-39	89,046	.....
1939-40	91,989	.....
1940-41	213,873	256,628
1941-42	196,554	.....
1942-43	306,761	.....
1943-44	311,501	1,121,404
1944-45	160,521	590,717
1945-46	376,396	376,396
1946-47	201,719	685,020
1947-48	164,573	492,418
1948-49	406,632	813,263
*1949-50	400,000	600,000
Total	<u>4,695,593</u>	<u>4,935,846</u>

*Distribution authorized from the earnings in the 1949-50 crop year.

Purchase of Reserves

In line with the policy of revolving reserves so that control of the organization will always be in the hands of active members, the Alberta Wheat Pool has purchased reserves built up by members in the 1923-28 period, to the value of \$5,876,900. These purchases by years were as follows:

	Reserves Purchases
1941-42	\$ 423,392
1942-43	402,222
1943-44	382,111
1945-46	1,287,509
1946-47	895,720
1947-48	1,055,843
1948-49	380,100
1949-50	450,003
*1950-51	600,000
Total	<u>\$5,876,900</u>

*Distribution authorized from the earnings of the 1949-50 crop year.

Recapitulation

Paid to patrons and reserve holders:

*Patronage dividends in cash	\$4,695,593
Interest on reserves	631,253
*Redemption of reserves	<u>5,876,900</u>
Total	\$11,203,746
*Patronage dividends in reserves	\$4,935,846
Repayment of debt to Alberta Government ..	\$8,855,629

*Includes authorized distribution from earnings of the 1949-50 crop year.

Supplement to The Story of the Alberta Wheat Pool

(To be inserted on page 21 under the section "Patronage Dividends" and to replace material to the end of the booklet.)

Patronage Dividends

Since its inception the Alberta Wheat Pool has paid patronage dividends to the value of \$11,079,028 as follows:

	Cash \$	Reserves \$
1926-27	327,196	.....
1927-28	960,262	.....
1928-29	488,570	.....
1938-39	89,046	.....
1939-40	91,989	.....
1940-41	213,873	256,628
1941-42	196,554	.....
1942-43	306,762	.....
1943-44	311,512	1,121,443
1944-45	160,522	590,718
1945-46	376,404	376,404
1946-47	201,726	685,044
1947-48	164,579	492,436
1948-49	406,730	813,459
1949-50	402,624	604,034
1950-51	400,128	1,040,385
Total	<u>5,098,477</u>	<u>5,980,551</u>

Reserve Purchases

In line with the policy of revolving reserves so that control of the organization will always be in the hands of active members, the Alberta Wheat Pool has purchased reserves built up by members in the 1923-28 period to the value of \$6,921,554. These purchases by years were as follows:

	Reserve Purchases \$
1941-42	423,392
1942-43	402,222
1943-44	382,111
1944-45 .....	.....
1945-46	1,287,509
1946-47	895,720
1947-48	1,055,843
1948-49	380,100
1949-50	450,004
1950-51	604,268
1951-52	1,040,385
Total	<u>6,921,554</u>

Position of Wheat Pool Reserves

Original Deductions 1923-28	\$8,467,830
Purchased	<u>6,921,554</u>
Outstanding "original" reserves	1,546,276
Reserves issued as patronage dividends	<u>5,980,551</u>
Total reserves held by members	7,526,827

Recapitulation

Paid to patrons and reserve holders:	
Patronage dividends in cash	\$5,098,477
Interest on reserves	631,253
Redemption of reserves	<u>6,921,554</u>
Total	\$12,651,284
Patronage dividends in reserves	\$ 5,980,551
Repayment of debt to Alberta government	\$ 8,855,629

Note: These figures include patronage dividends and reserve purchases authorized for distribution during the 1951-52 crop year.